

**2008 e-file Handbook
for
Authorized e-file Providers**

FTB Pub. 1345

State of California
Franchise Tax Board
ftb.ca.gov

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Section 1 Introduction

1.1 Welcome

Thank you for participating in the California Franchise Tax Board's (FTB) e-file Program. Whether you are a new or returning participant, we welcome you aboard.

This publication provides you with information on our Individual and Business e-file Programs, your responsibilities as a participant, and rules and procedures for various aspects of the Program.

For specific information regarding each Program, go to our public website at ftb.ca.gov and get the following publications:

- Individual e-file: FTB Pub. 1345A, *2008 Individual e-file Handbook Supplement*
- Business e-file: FTB Pub. 1345B, *2008 Business e-file Handbook for Authorized e-file Providers of California Business Returns*

1.2 Where Can I Get More Information?

For e-file assistance and information please visit the Tax Professionals area of our Website or contact e-Programs Customer Service:

Website: ftb.ca.gov

e-Programs Customer Service:

Available Monday through Friday, between 8 a.m. and 5 p.m.

Phone: 916.845.0353
Fax: 916.845.0287
Email: e-file@ftb.ca.gov

Send comments or suggestions regarding the California e-file Program or this publication to:

**e-file Coordinator, MS F-284
Franchise Tax Board
PO Box 1468
Sacramento CA 95812-1468**

Email: e-file.coordinator@ftb.ca.gov

Assistance for persons with disabilities: We comply with the Americans with Disabilities Act. Persons with hearing or speech impairments please call TTY/TDD 800.822.6268.

1.3 What's New for Taxable Year 2008?

This publication is a general e-file handbook providing information about both our Individual and Business e-file Programs. Information specific to the Individual e-file Program can be found in FTB Pub. 1345A, *e-file Handbook Supplement for Authorized e-file Providers of California Individual Income Tax Returns*. For information specific to our Business e-file Program refer to FTB Pub. 1345B, *Business e-file Handbook for Authorized e-file Providers of California Business Returns*.

Requirements for e-file Participation:

- In order to be automatically enrolled in our e-file Program, you need to be an accepted participant in the IRS e-file program. We receive confirmation from the IRS after they accept you into their program.
- Use your IRS-assigned Electronic Filer Identification Number (EFIN) to e-file with FTB. If you transmit returns, use your IRS-assigned Electronic Transmitter Identification Number (ETIN) with FTB.
- Comply with the guidelines in this publication and FTB Pub. 1345B, *Business e-file Handbook for Authorized e-file Providers of California Business Returns*.

Once you receive your IRS EFIN, you may contact our e-Programs Customer Service at 916.845.0353 to verify your enrollment with California.

Secure Web Internet File Transfer (SWIFT) for e-file Transmissions

SWIFT is the only transmission method used for transmission of e-file returns. If you are a direct transmitter, follow your software or software provider's instructions on how to transmit your returns to California.

Business e-file

In addition to the Forms 100, 100S, 565 and 568, FTB now offers e-filing for Corporations filing Combined Reports and Form 100W, California Corporation Franchise or Income Tax Return-Water's-Edge Filers, plus certain accompanying forms and schedules.

For more information about our business e-file program refer to FTB Publication 1345B, *Business e-file Handbook for Authorized e-file Providers of California Business Returns*, or visit our website at ftb.ca.gov and search for business e-file.

Subscription Services Expanded

Subscription Services is our free automated service providing you important information by email. You can choose from a variety of topics including:

- o Tax News
- o e-file News
- o Information on Law and Legislation
- o And much more

You can add or discontinue your subscription at anytime. For more information, go to our website at ftb.ca.gov and search for **subscription services**.

1.4 Reminders

Mandatory e-file

California law requires individual income tax returns prepared by certain income tax preparers to be e-filed unless the individual return cannot be e-filed due to reasonable cause. Reasonable cause includes a taxpayer's election to opt-out (choose not to e-file).

If you prepared more than 100 California individual income tax returns in any calendar year beginning January 1, 2003 or after and in the following calendar year prepare one or more using tax preparation software, then you must e-file all acceptable individual returns in that following year and all subsequent calendar years thereafter.

To learn more about this important law, refer to Section 2.4 of the *2008 e-file Handbook* (FTB Pub. 1345) or go to our Website at ftb.ca.gov and search for **mandatory e-file**.

Refund Splitting

Taxpayers have the option of splitting their refund made by Direct Deposit (DDR) in up to two accounts. Taxpayers requesting their refund be split must request the total refund amount be electronically deposited between the two accounts. Taxpayers cannot receive part of their refund by DDR and part by paper check.

Important Note: If a taxpayer chooses to split their direct deposit (DDR) and requests an electronic funds withdrawal (EFW) for estimated tax payments on the same return, the EFW will take place from the first bank account listed.

Verifying Banking Information

To avoid DDRs or EFWs being returned by taxpayer's banks, we encourage the use of double entry or other techniques that require the taxpayer double-check the entered bank account and routing number information. This will help ensure the accuracy of the information that is entered or imported from previous requests, return filings, etc.

Section 2 e-file Program

2.1 General Information

e-filing ensures more accurate returns because e-file software and our e-file process verify certain aspects of the return before we accept it for processing. Because of these checks, e-file returns have the lowest error rate of all returns filed. In addition, taxpayers and tax practitioners know that we received their return because we send an acknowledgment for each e-file return.

Our e-file Program checks the return information for completeness and accuracy. If our e-file Program accepts the return, you receive an acknowledgement (ACK) showing we accepted the return. If our e-file Program rejects the return, you receive an ACK identifying the problem(s) that caused our e-file Program to reject the return. You must correct the errors and retransmit the return for processing.

You may transmit electronic return Forms 540, 540NR Long, 540NR Short, 540 2EZ, 100, 100S, 565, and 568 via a transmitter or directly to us. Returns are transmitted to us via the Internet, using our Secure Web Internet File Transfer (SWIFT) system. You should check with your software provider or transmitter if you have questions about submitting your returns.

2.2 Definition of e-file Participants

A participant in California's e-file Program is an "Authorized FTB e-file Provider." The Authorized FTB e-file Provider categories are:

An **Electronic Return Originator (ERO)** originates the electronic submission of income tax returns. EROs may originate the electronic submission of income tax returns they either prepared or collected from taxpayers. To be an ERO, you must:

- Be an accepted participant in the IRS's e-file Program.
- Receive an Electronic Filer Identification Number (EFIN) from the IRS.
- Pass our suitability check.

Intermediate Service Providers receive tax return information from an ERO or a taxpayer, process the tax return information and either forward the information to a Transmitter or send the information back to the ERO (or taxpayer).

Software Developers develop software for the purpose of formatting electronic tax return information according to FTB Publication 1346, *e-file Specifications and Record Layouts for California Individual Income Tax Returns*, or FTB Pub. 1346B, *Business e-file Guide for Software Developers and Transmitters*.

Transmitters transmit electronic tax return information directly to FTB.

The Authorized FTB e-file Provider categories are not mutually exclusive. For example, an ERO can, at the same time, be a Transmitter, Software Developer, or Intermediate Service Provider, depending on the functions performed. All participants are responsible for adhering to the requirements of each category they may participate in.

2.3 Differences Between the IRS and FTB e-file Programs

We follow the e-file program requirements found in IRS Pub. 1345 and in IRS Revenue Procedure 2000-31, to the extent that they apply to our e-file Program. The following exceptions apply:

- Transmit all state tax returns and attachments directly to FTB in Sacramento, California.
- Do not send paper documents to FTB.
- Unlike the IRS, we allow ERO's and online filers to use a pen on paper signature method (Form FTB 8453 series) in addition to electronic signature methods.
- EROs and taxpayers must retain forms FTB 8453, FTB 8453-C, FTB 8453-LLC, FTB 8453-P, or FTB 8879. Do not mail these to FTB.
- Individual taxpayers must retain forms W-2, W-2G, 1099-R, 592-B, 593-B, and 594 along with a complete copy of the return.
- We do not have an "offset" indicator.
- We do not accept substitute Forms W-2.
- We do not have an electronic signature option for business e-file returns.
- e-filing is mandatory for certain preparers of individual income tax returns.

2.4 Mandatory e-file (Individual e-file)

e-file of individual returns is mandatory for returns prepared by certain income tax preparers. California law requires tax preparers who prepare more than 100 individual state income tax returns annually and prepare one or more using tax preparation software to e-file all current-year individual income tax returns.

Note: The mandatory e-file law does not apply to the filing of business returns.

For the purposes of this law, an "Income Tax Preparer" is defined as *a person who prepares, in exchange for compensation, or who employs another person to prepare, in exchange for compensation, any return for the tax imposed.* This means, even if a person in your employ or one of your offices files less than 100 individual returns, if the total of all individual income tax returns prepared by multiple preparers or from multiple offices equals more than 100 and tax preparation software is used for one or more returns, all acceptable returns prepared are required to be e-filed.

If you reside or have an office outside California and you meet the requirements of the mandate, all California individual returns you prepare are required to be e-filed.

Note: There is no provision in the law that allows for a preparer waiver from the mandate.

What types of returns must be e-filed?

All current year individual income tax returns are required to be e-filed. Prior year, fiduciary, amended, and business returns are not required to be e-filed under the mandate.

Beginning January 2005, a \$50 per return penalty may be assessed for each return filed on paper that should have been e-filed.

What if my client (the taxpayer) does not want their return e-filed?

Section 19170 of the Revenue and Taxation Code includes reasonable cause language that states reasonable cause includes, but is not limited to, a taxpayer's election not to e-file. If your client elects not to e-file, you should record that election on the *e-file Opt-Out Record for Individuals* (form FTB 8454). This form allows you to record your client's election not to e-file and should be retained with your records. **Do not mail this form to FTB.** If this form is not included in your software, you can download it from our Website at ftb.ca.gov and search for **8454**, or it is available in FTB Pub. 1345A, *2008 Individual e-file Handbook Supplement*.

For additional information regarding Mandatory e-file, visit our Website at ftb.ca.gov and search for **mandatory e-file**, or contact e-Programs Customer Service at 916.845.0353 or via email at e-file@ftb.ca.gov.

Section 3 Acceptance into the California e-file Program

3.1 Acceptance Process

Based on the type of Authorized FTB e-file Provider you are, the acceptance process involves different steps:

- If you are a **Software Developer**, you must pass the Participants Acceptance Testing System (PATS) as instructed in FTB Pub. 1436 (Individual e-file) or FTB Pub. 1436B (Business e-file).
- If you **transmit returns directly to FTB**, you must pass the Participants Acceptance Testing System (PATS). Check your software, the PATS test returns may already be included for your convenience. You can also find the test requirements and instructions in FTB Pub. 1436 (Individual e-file) or FTB Pub. 1436B (Business e-file).

Note: This acceptance process does not govern VITA (Voluntary Income Tax Assistance), TCE (Tax Counseling for the Elderly), or Not for Profit sites.

If you are required to complete PATS testing, you must complete it before accepting or transmitting any “live” e-file returns. After you complete PATS, we will mail you your PATS approval letter.

A Few Words of Caution:

- Transmitters must not accept electronic returns until FTB approves them for “live” processing.
- Transmitters of Individual and Business returns via SWIFT must be sure to change their setting from "T" (test) to "P" (production) when transmitting "live" returns.
- Software Developers must inform their clients that they may use only the accepted version of the developer’s software. **Software Developers should not distribute their software until FTB notifies them of official acceptance.**

3.2 EFIN, ETIN, and Password Assignments

We use the following identifiers assigned by the IRS for California e-file purposes:

- EFIN (Electronic Filer Identification Number)
- ETIN (Electronic Transmitter Identification Number)

3.3 Suitability Check

We perform a suitability check on all applicants. We also perform suitability checks on an annual basis for continuing e-file Program participants, with the exception of Software Developers who do not perform Transmitter services and VITA/TCE/Not for Profit sites.

The purpose of the suitability check is to ensure that:

- All business entities are valid and licensed.
- All personal and business tax returns are timely filed.
- All liabilities are paid or current.

If we deny your participation in our e-file Program, we will send a letter explaining the reason for denial. If we deny your participation and you attempt to submit returns electronically, we will reject the transmission.

Listed below are some common reasons why we deny applicants' acceptance into the California e-file Program. The following list is not all-inclusive:

- Failure to pass the IRS's suitability check.
- Failure to file accurate and timely returns, both business and personal.
- Failure to pay any State of California personal or business tax liabilities, penalties, or interest.
- Conduct of a disreputable nature that would reflect adversely on the Program.
- Misrepresentation on an enrollment form.
- Unethical practices in return preparation.

3.4 Transmitting Returns Directly to FTB – PATS

Note: If you will not transmit returns directly to FTB, you do not need to complete PATS.

If you plan to transmit returns **directly** to FTB rather than through your software company or transmitter, or you are a Software Developer, you must pass the Participants Acceptance Testing System (PATS). FTB Pub. 1436, *Test Package for e-file of Individual Income Tax Returns* and FTB Pub. 1436B, *Test Package for e-file of California Business Tax Returns*, contain all the information you need to complete PATS. FTB Pubs. 1436 and 1436B are available on our Website in late November of each year. e-Programs Customer Service staff will also help you with initial instructions for PATS. The purpose of PATS is to ensure, prior to "live" processing, that:

- Software Developers and Transmitters send returns in the correct format and meet our e-file specifications and have no validation (reject) violations.
- Transmitters can communicate with our e-file system to transmit returns as well as retrieve their acknowledgement files.
- Transmitters understand and are familiar with the mechanics of e-filing returns to FTB.

Note: Generally, if your software allows you to transmit returns directly to FTB, the software company will provide you with the PATS returns to submit to FTB.

Section 4 Responsibilities of Authorized e-file Providers

4.1 General Information

The FTB follows the e-file Program requirements found in IRS Pub. 1345 and in IRS Revenue Procedure 2000-31, to the extent that they apply to FTB's e-file Program.

You must adhere to the requirements for timely origination and transmission of tax returns as well as retrieve and provide taxpayers with return acknowledgements in a timely manner. If you transact with other e-file providers, you must make sure they are Authorized FTB e-file Providers. Contact the e-Programs Customer Service for verification.

Returns acknowledged as **“rejected”** are considered **not filed**. You must correct the errors and retransmit the return in order to complete the filing of the return. For help with rejected returns, contact your Transmitter or the e-Programs Customer Service for assistance. Your clients should not contact the e-Programs Customer Service directly. If you are unable to resolve the errors and resubmit the return, you must take reasonable steps to notify the taxpayer with an explanation of the rejection within 24 hours. The taxpayer can choose to have the electronic portion of the return corrected and resubmitted, or can file a paper return.

Note: For individual e-file returns, if the taxpayer chooses to file a paper return, we suggest that they sign the *e-file Opt-Out Record for Individuals* (FTB 8454). California law requires individual income tax returns prepared by certain income tax preparers to be e-filed unless the taxpayer elects not to e-file or the tax preparer cannot e-file the return due to reasonable cause.

The taxpayer must be allowed to review their completed tax return before signing the return. Also, the return must be signed before you transmit it to the FTB. Refer to FTB Pub. 1345A, *Individual e-file Handbook Supplement* and FTB Pub. 1345B, *Business e-file Handbook for Authorized e-file Providers of California Business Returns* for signature requirements and options. You should always retain copies of all material furnished to the taxpayer. Any material exchanged or retained by the taxpayer or preparer can be exchanged electronically, provided copies of documents or information can be provided upon request.

You must comply with all the latest publications, forms, and notices governing the e-file Program. These include:

- California Revenue and Taxation Code Sections 18621.9 and 19170.
- FTB Pub. 1345, *e-file Handbook for Authorized e-file Providers*
- FTB Pub. 1345A, *Handbook Supplement for Authorized e-file Providers of California Individual Income Tax Returns*
- FTB Pub. 1345B, *Business e-file Handbook for Authorized e-file Providers of California Business Returns*
- FTB Pub. 1346, *e-file Specifications and Record Layouts for California Individual Income Tax Returns* (if you are a Software Developer or Transmitter)
- FTB Pub. 1346B, *Business e-file Guide for Software Developers and Transmitters*
- FTB Pub. 1436, *Test Package for e-file of California Individual Income Tax Returns* (if you are a Software Developer or Transmitter)
- FTB Pub. 1436B, *Test Package for e-file of California Business Tax Returns* (if you are a Software Developer or Transmitter)
- Form FTB 8453, *California e-file Return Authorization for Individuals*
- Form FTB 8453-C, *California e-file Return Authorization for Corporations*
- Form FTB 8453-LLC, *California e-file Return Authorization for Limited Liability Companies*
- Form FTB 8453-P, *California e-file Return Authorization for Partnerships*
- Form FTB 8879, *California e-file Signature Authorization for Individuals*
- Postings to our Website: ftb.ca.gov
- The IRS e-file Program requirements, to the extent they apply to the California program.

4.2 Advertising Standards

Participants in California's e-file Program must comply with the advertising standards specified in IRS Pub. 1345. We will monitor advertising and practices of Authorized FTB e-file Providers for consistency with the IRS requirements.

Note: Use of "Franchise Tax Board" or "FTB," within a firm's name may result in suspension from California's e-file Program.

Section 5 Fraud Prevention and Quality Assurance

5.1 General Information

The potential for fraud is a concern both at the federal and state level. We are committed to reducing the risk of fraudulent tax return filings. You can help prevent and detect fraud by:

- Verifying the identity of new clients.
- Informing your clients that FTB verifies W-2 and Child and Dependent Care Expenses Credit information.
- Verifying supporting information for the refundable Child and Dependent Care Expense Credit including:
 - Visually inspecting the social security card to verify the child's name and social security number,
 - Obtaining proof of care provided, such as copies of cancelled checks, and
 - Reviewing taxpayer and spouse (if married) earned income to determine if they meet the Child and Dependent Care Expenses Credit requirements.
- Questioning Forms W-2 that appear altered or suspicious.
- Identifying similar W-2 information between clients, such as employers, wages, and withholding.
- Identifying similar return information between clients, such as refund amounts, number of dependents, and number of Forms W-2.
- Questioning refunds on different returns directed to the same address or post office box.
- Asking taxpayers for social security cards and other documents to avoid incorrect social security numbers (SSN's) for taxpayers, spouses, and dependents on income tax returns.

Before preparing returns or accepting returns for electronic transmission, you should review two pieces of identification (picture identifications are preferable) from each new client.

- One form of identification could include a picture reflecting at least the individual's name and the current address, such as:
 - Driver's License
 - State Identification Card
 - Military Identification
 - Alien Registration Card
 - Passport
 - Veteran's Identification Card
- The second should include the same name and the SSN the individual is using to file the tax return, such as:
 - Social security card
 - Work pay stub

Retain a copy of this information in your files for four years from the due date of the return or four years from the date the return is filed, whichever is later.

5.2 Monitoring

Our staff conducts site visits to tax practitioners, including Authorized FTB e-file Providers who are participating in our e-file Program to monitor advertising and other practices. If the situation warrants, we will issue a warning letter describing specific corrective action for deviations from advertising standards, or other practices. If the deviation is not corrected, we will issue a letter of suspension and notify the IRS. In extreme cases, we can suspend an Authorized FTB e-file Provider immediately from the program without a warning letter. The suspension will remain in effect until we determine that any deviations have been corrected.

We also:

- Monitor the quality of transmissions and returns throughout the filing season. If the quality is unacceptable, we will contact the Authorized FTB e-file Provider and may issue a warning or, in extreme cases, a letter of suspension from California's e-file Program.
- Monitor compliance with the mandatory e-file law.
- Research complaints about e-file Providers and issue warning or suspension letters, as appropriate.

5.3 Suspension

We reserve the right to suspend the electronic filing privilege of any Authorized FTB e-file Provider who violates any provision of the requirements, specifications, and procedures stated in the electronic filing procedures or who does not consistently transmit error-free returns. The following reasons could lead to a warning letter and/or suspension of an Authorized FTB e-file Provider from the e-file Program. This list is not all-inclusive:

- Conviction of any criminal offense arising from a violation of California tax statutes or revenue laws of the United States, or any offense involving dishonesty, or breach of trust
- Non-compliance with the provisions of California Business and Professions Code §22250-22259 (Tax Preparer Act)¹
- Failure to file timely and accurate returns, both business and personal
- Failure to pay business or personal tax liabilities
- Assessment of penalties under any of California's tax statutes
- Suspension/disbarment from practice before the IRS or local tax agency
- Other facts or conduct of a disreputable nature that would adversely reflect on the e-file Program
- Misrepresentation on an enrollment form
- Unacceptable format quality of individual transmissions
- Unacceptable error rate

¹ This act requires any person who for a fee, assists with or prepares a state or federal tax return excluding CPAs, Attorneys, and Enrolled Agents to register with the California Tax Education Council (CTEC).

- Violation of advertising standards
- Unethical practices in return preparation
- Stockpiling returns prior to official acceptance into California's e-file Program, or at any time while participating in California's e-file Program
- Failure of Transmitters to provide preparer clients with acknowledgment files within 48 hours of receipt from us
- Significant complaints about an Authorized FTB e-file Provider
- Misuse of an Authorized FTB e-file Provider's EFIN or ETIN
- Practices inconsistent with our recommendations revealed during site visits

5.4 Site Visits

Our staff conducts site visits to Authorized e-file Provider offices during the filing season to ensure that you are following the e-file Program requirements. We may ask you to:

- Produce a copy of the faxed or original signed form FTB 8453, FTB 8453-C, FTB 8453-LLC, FTB 845-P, or FTB 8879 for all e-filed returns.
- Demonstrate that copies of forms FTB 8453, FTB 8453-C, FTB 8453-LLC, FTB 845-P, and FTB 8879 are being stored in a secure manner.
- Produce any required e-file documentation maintained for the entire filing season.
- Demonstrate that copies of taxpayer returns are maintained if the ERO is also the tax preparer.
- Produce a letter of acceptance into California's e-file Program.
- Produce a \$5,000 surety bond and a Letter of Compliance from the California Tax Education Council (CTEC) if you are a registered tax preparer. (To contact CTEC, call toll free 877.850.2832, fax toll free 877.851.2832, or visit their Website at: www.ctec.org)
- Produce record of clients who opted out of having their return e-filed (if you meet the mandatory e-file requirement).

5.5 To Contact the Fraud Unit

For questions about fraud prevention or to make comments or suggestions about this section, contact:

**Fraud Unit, M/S L140
Franchise Tax Board
P.O. Box 1468
Sacramento, CA 95812-1468**

Fax: 916.845.0716

Section 6 Filing an Electronic Return

6.1 Filing Due Dates

All due dates that govern when a California individual or business tax return must be filed apply to returns filed using FTB's e-file Program. For more information about due dates, refer to Section 1 of FTB Pubs. 1345A (individual e-file) and 1345B (business e-file).

Individual tax returns **cannot** be e-filed after October 15th following the close of that taxable year even if an extension was granted to file beyond that date. If October 15th falls on a Saturday, Sunday, or legal holiday, the return should be e-filed no later than the next business day.

6.2 Composition of the e-file Return

A return filed in the California e-file Program consists of electronically transmitted data and, in some cases, paper documents. Only the forms and schedules listed in Section 2 of FTB Pub. 1345A, *Individual e-file Handbook Supplement* and FTB Pub. 1345B, *Business e-file Handbook for Authorized e-file Providers of California Business Returns* may be e-filed.

e-file returns have the same reporting requirements as paper returns. Therefore, all the information, forms, schedules, supporting documentation, federal forms and schedules, and signatures that would be included in a paper return filing must be contained either in the electronic return data or, when permissible, retained on paper. Refer to Section 7 for more information about the paper portion of an e-file return.

6.3 Disclosure of Electronic Return Information

An ERO shall not disclose or use any tax return information for a purpose other than preparing, assisting in preparing, obtaining or providing services in connection with the preparation of tax returns. Disclosure among accepted participants in California's e-file Program for preparing and transmitting the return information is permissible. For example, it is permissible for an ERO to pass on tax return information to a Transmitter for the purpose of having an electronic return formatted and transmitted to us. However, the return information may not be disclosed or used in any other way.

6.4 Substitute Forms

Authorized FTB e-file Providers must use only the official form or an approved substitute form that duplicates the official form in format, language, content, and size. Make sure the e-file software you use produces our approved substitute forms. Ask your Software Developer for a copy of their FTB approval letter for the form you are interested in.

Software Developers who use substitute tax forms must get written approval from us. Software Developers must submit the forms and schedules that require our approval to:

**Substitute Forms Program
Filing Methods Section, M/S F284
Franchise Tax Board
PO Box 1468
Sacramento, CA 95812-1468**

Send courier or freight deliveries to:

**Substitute Forms Program
Filing Methods Section, M/S F284
Franchise Tax Board
9646 Butterfield Way
Sacramento, CA 95827**

For more information, call 916.845.4522. The fax number is 916.845.4788.

Section 7 Record Keeping and Data Retention

7.1 The Paper Portion of the Return

The paper portion of the return may consist of information that cannot be electronically transmitted with the return as well as a signature document, either:

- Form FTB 8453-C, *California e-file Return Authorization for Corporations*, or
- Form FTB 8453-P, *California e-file Return Authorization for Partnerships*, or
- Form FTB 8453-LLC, *California e-file Return Authorization for Limited Liability Companies*, or
- Form FTB 8879, *California e-file Signature Authorization for Individuals*.

Information that cannot be electronically transmitted with the return, but may be retained by the ERO and/or taxpayer, includes:

- Blindness Certification.
- Nonrefundable Renter's Credit Qualification Record.
- Qualifying Person's Death Certificate.
- Federal Form 1310, *Statement of Person Claiming Refund Due a Deceased Taxpayer*.

For record keeping purposes, we suggest that you retain a copy of these documents and withholding records (Forms W-2, W-2G, or 1099-R) in the event we ask you to provide copies. Unless requested, do **not** mail these forms to FTB.

You may retain the paper portion of the return, including the documents listed above, electronically by scanning the pages into the computer or using another method that captures the pertinent data and signatures.

7.2 Special Situations

An ERO no longer doing business must send all e-file Return and Signature Authorization forms to us or provide access to the forms for a period of four years from the due date of the return or four years from the date the return was filed, whichever is later. The ERO is responsible for all costs associated with the handling and shipping of these documents to us.

If you are a **VITA/TCE/Not for Profit site**, give the signed form FTB 8453, 8453-C, FTB 8453-LLC, FTB 8453-P, or 8879 to the taxpayer to retain.

Section 8 Refund Returns and Direct Deposit of Refund

8.1 Refund Returns

When taxpayers are entitled to a refund, Authorized FTB e-file Providers can offer the following refund options:

- Applied to next year's estimated tax.
- Directly deposited into their financial institution(s) (DDR), with the option of splitting their refund made by DDR in up to two separate accounts.
- Issued to them in the form of a paper check.

Taxpayers may elect to apply part of their refund to next year's estimated tax and have the remainder refunded by DDR or paper check.

Note: Taxpayers may *not* elect to have part of their refund by DDR and part by paper check.

8.2 General Information

DDR is the fastest, most convenient way to receive a refund (individual e-filers usually receive their refund within 5 to 7 banking days). Refunds are directly deposited into the designated taxpayer's financial institution account. This refund method reduces the risk of lost payments, and allows immediate use of the funds.

For purposes of DDR, a financial institution is any state or national bank, savings and loan association, mutual savings bank, or credit union. The term "state" includes all states of the United States and their political subdivisions, and the District of Columbia.

We do not guarantee a specific date of deposit of a refund into a taxpayer's financial institution account and will not issue written notices to taxpayers to confirm DDRs. You or your client can verify the status of their refund on our Website. Go to ftb.ca.gov and search for **refund status**.

If a taxpayer chooses to split their direct deposit of refund (DDR) and requests an electronic funds withdrawal (EFW) for estimated tax payments on the same return, the EFW will take place from the first bank account listed.

If a DDR fails, we will reissue the refund as a paper check and mail it to the taxpayer's address as shown on the tax return.

Neither FTB nor the State Controller's Office (SCO) is responsible for the misapplication of a DDR caused by error, negligence, or malfeasance on the part of the taxpayer, ERO, financial institution, or any of their agents. Always be sure to verify the account number, prior to submitting the DDR request.

Taxpayers must submit a new DDR request each year. Election of DDR is voluntary and applies only to the current year. No prior approval from financial institutions is necessary. The taxpayer should, however, contact the institution to resolve uncertainties about its DDR capability or "payable through" status.

8.3 Eligibility Requirements

The account designated to receive the DDR must be in the taxpayer's name. The account must be a checking, share draft, savings, or other consumer asset account (e.g., an IRA or money market account) held by a financial institution within the United States and established primarily for personal, family, or household purposes. You may not use a credit card account.

Some financial institutions may not accept "payable through" routing numbers for DDR. A check or share draft that is "payable through" another financial institution may cause problems because it shows the routing number of the "payable through" financial institution rather than that of the institution where the account is located.

Remind taxpayers to verify the routing number by contacting the financial institution responsible for their account. Some financial institutions use a different routing number for electronic transactions. Failure to verify the routing number may result in the refund being sent to the wrong financial institution. This may result in a returned DDR, which will delay the refund. We will reissue the refund as a paper check and mail it to the taxpayer's address as shown on the tax return.

Caution: Some financial institutions do not permit the deposit of a joint refund into an individual account. FTB is not responsible for a financial institution's refusal to accept a DDR for this reason.

- It is recommended the Taxpayer verify their chosen financial institutions policy and procedures, to avoid a delay in the refund process.

8.4 Responsibilities

Electronic Return Originators (EROs) must:

- Ensure that the taxpayer is aware of all general information regarding a DDR request.
- Not charge a separate fee for DDR.
- Accept any DDR requests to any eligible financial institution designated by the taxpayer.
- Ensure that taxpayers electing DDR meet the eligibility requirements.
- Verify that the DDR information on the return and the e-file Return Authorization forms (FTB 8453 series) is correct and that the information is transmitted with the electronic portion of the return.
- Advise taxpayer that once FTB has accepted their electronic return for processing they cannot:
 - Rescind the DDR request.
Exception: Corporation DDR requests may be cancelled if the DDR has not been issued. To cancel a corporation DDR, call FTB at 916.845.0353.
 - Change the routing number of the financial institution.
 - Change the taxpayer's account number.
- Advise the taxpayer how to contact FTB about their DDR request. Individual taxpayers may:
 - Access our refund status page located on our Website at ftb.ca.gov and search for **Refund Status**.
 - Call our automated toll-free phone service at 800.338.0505.

8.5 Verifying the Financial Institution Information

Be sure to verify the financial institution information on the return and on the e-file Return Authorization forms.

8.6 Processing

After we accept e-file returns and forward them to our processing systems, we may disallow the DDR request for individual e-filers for one of the following reasons:

- More than two DDR requests to the same bank account for the same tax year.
- The taxpayer or spouse has a refund offset.
- The refund amount(s) requested is different from the refund amount computed by FTB.

If we deny the DDR request, the taxpayer will receive a paper check for any refund due and a notice explaining why we denied the DDR request.

8.7 Refund Delays and Changes

We may delay or change a refund when the:

- Taxpayer owes back taxes.
- Taxpayer owes delinquent child support.
- Taxpayer has certain delinquent federal debts, such as student loans, etc.
- Estimated tax payments reported on the return do not match FTB's records. This may occur when a taxpayer and spouse made separate payments and filed a joint return or when the return was posted before the last estimate tax payment was credited to the taxpayer's account.
- Financial institution information on a DDR request is incorrect or the taxpayer's account is closed.

Section 9 Balance Due Returns and Electronic Payment Options

9.1 General Information

Taxpayers who owe additional tax must pay the balance due by the return due date to avoid interest and penalties. As an e-file participant you are encouraged to inform taxpayers of their obligation and options for paying the outstanding balance due.

9.2 Payment Options – Individual Taxpayers

Listed below are the payment options available to taxpayers.

Electronic Funds Withdrawal (EFW)

Taxpayers may elect to have their current year balance due paid by electronic funds withdrawal (EFW). Taxpayers authorize the EFW by signing form FTB 8453, form FTB 8879, or by using the Self-Select PIN method. The EFW request and banking information are transmitted with the e-file return. Follow your software's instructions for entering the banking information and payment date for an EFW. Advise taxpayers not to use a money market or CD account, because their financial institution will not honor their request. Taxpayers may pay the balance as soon as we process the e-file return, or they may delay payment until a future date. We will accept EFW requests until the extended return due date of October 15, 2009. Payments made after April 15, 2009 will result in penalties and interest being added to the tax due.

The taxpayer's banking and payment information are recorded on form FTB 8453, *California e-file Return Authorization for Individuals*, or form FTB 8455, *California e-file Payment Record for Individuals*. **Note:** FTB 8455 is an optional form and your software may provide the EFW summary information in a proprietary format.

Taxpayers who have a return balance due, other tax bills, or want to make estimated tax payments, may request an EFW on our Website using our Web Pay service. See below for more information.

If a taxpayer receives an FTB Return Information Notice (RIN) reducing their balance due, they should contact FTB to cancel their EFW request to avoid an overpayment. FTB cannot reduce the amount of the original EFW request to the reduced balance due. Similarly, if the taxpayer receives a RIN advising an increase in their balance due, they should either remit the difference or cancel the EFW request. Upon canceling the EFW request, taxpayers may remit the total balance due using the Web Pay online application, by check, or by credit card. If taxpayers are unable to pay the entire balance due, they may request an installment agreement.

Note: To cancel the EFW request, taxpayers must call e-Programs Customer Service at 916.845.0353, at least **two** working days before the requested withdrawal date.

Web Pay

Taxpayers can enjoy the convenience of online bill payment with FTB's Web Pay. This secure service allows taxpayers to pay the current amount they owe, as well as any future payments or bills (up to one year in advance). Instruct your client to go to ftb.ca.gov and search for: **Web Pay**. To use this payment option, they must enter their social security number and last name.

Credit Card

Taxpayers may choose to pay the amount they owe using their Discover/Novus, Visa, MasterCard, or American Express credit card. The following page of this handbook contains information you can provide your client or you can instruct the taxpayer to:

- Visit the Official Payments Corp. Website: www.officialpayments.com.
- Call Official Payments Corp. toll-free at 800.272.9829. (Use jurisdiction code 1555).
- Visit our Website: ftb.ca.gov

If the taxpayer chooses to pay by credit card, you must still furnish the taxpayer with a completed form FTB 3582, *Voucher for Individual e-filed Returns*. Prepare FTB 3582 the same as you would if the taxpayer were paying by paper check.

Note: Instruct the taxpayer not to mail form FTB 3582 to FTB if they choose to pay by credit card.

Paper Check

If the taxpayer pays by paper check, you must furnish them with a completed form FTB 3582, *Voucher for Individual e-filed Returns* (refer to FTB Pub. 1345A, Section 2, for a sample of this voucher). Provide this form to the taxpayer after the return is verified but before transmission. The SSN, name, and address information on form FTB 3582 must be the same information that you will electronically transmit, and it should match the information printed on the paper copy of the taxpayer's tax return (Form 540, Short Form 540NR, Long Form 540NR, or Form 540 2EZ). Erroneous information may cause the payment to be misapplied.

Instruct taxpayers who want to pay a different amount from the amount printed on form FTB 3582 to line through the pre-printed amount and write in the amount they are paying.

Installment Agreement Request

If taxpayers are unable to pay their tax by April 15, 2009 (or if they have a delinquent liability for a previous year), they may:

- Electronically apply for an installment agreement and check the status of their request online using the Electronic Installment Agreement application on our Website: ftb.ca.gov. Search for **Installment Agreement**.
- On the e-file return request FTB to mail form FTB 3567, *Installment Agreement Request*, so they can apply for an installment agreement.

FTB will notify the taxpayer whether or not they are approved to make monthly installments. **Approval to make installment payments is not automatic.** Taxpayers should pay as much as they can by the due date. Payments made after April 15, 2009 may result in penalties and interest being added to the tax due.

9.3 Paying by Credit Card



Use your Discover/NOVUS, American Express, MasterCard, or Visa card to pay your personal income taxes (balance due, extension payment, estimated taxes, or amounts owed for prior years). FTB has partnered with Official Payments Corp. to offer you this service.

Here's how:

- Have your credit card ready.
- Complete the credit card payment worksheet below.
- Go to the Official Payments Corp. Website at www.officialpayments.com.
 - Select Payment Center, and enter jurisdiction code 1555.

OR

- From a touch-tone telephone, call toll free 800.2PAY-TAX or 800.272.9829. Use jurisdiction code 1555 and follow the recorded instructions.

Assistance for persons with disabilities

The Franchise Tax Board complies with the Americans with Disabilities Act. Persons with hearing or speech impairments please call TTY/TDD 800.822.6268.

Official Payments Corp. charges a convenience fee based on the amount of your payment.

Official Payments Corp. will tell you your fee before you complete your credit card transaction.

Convenience Fee

- 2.5% of the tax amount charged (rounded to the nearest cent)
- Minimum fee: \$1
- Example of fee:
Tax Payment = \$753.56
Convenience Fee = \$18.84 (\$18.839 rounded)

Credit Card Payment Worksheet

1. Jurisdiction Code: 1555
2. Amount you are paying: \$ _____
3. Your SSN: _____ - _____ - _____
First 4 letters of last name: _____
- Spouse's SSN: _____ - _____ - _____
First 4 letters of spouse's last name: _____
4. Tax year (YYYY): _____
5. Home phone: (____) _____
6. Credit card no.: _____
7. Expiration date (MMYYYY): _____
8. ZIP Code for address where your monthly credit card bill is sent: _____

At the end of your call, you will be given a payment confirmation number. You may make multiple credit card payments throughout the year. **Record the payment confirmation number below and save this page for your records.**

Date: _____ Confirmation No. _____

9.4 Payment Options – Business Taxpayers

Advise taxpayers they may make payments using the following methods.

Electronic Funds Withdrawal (EFW)

Certain business taxpayers may elect to have their current year balance due paid by EFW. Corporations authorize the EFW by signing form FTB 8453-C. Partnerships authorize the EFW by signing form FTB 8453-P and LLCs sign form FTB 8453-LLC. The EFW request and banking information are transmitted with the e-file return. Follow your software's instructions for entering the banking information and payment date for an EFW. Advise taxpayers not to use a money market or CD account, because their financial institution will not honor their request. Taxpayers may pay the balance as soon as we process the e-file return, or they may delay payment until a future date.

Note: Corporations required to remit payments by Electronic Funds Transfer, may use EFW and be considered in compliance with that requirement.

The taxpayer's banking and payment information are recorded on the California e-file Return Authorization form (8453-C, 8453-LLC, 8453-P).

If a taxpayer receives a notice reducing their balance due, they should contact FTB to cancel their EFW request to avoid an overpayment. FTB cannot reduce the amount of the original EFW request to the reduced balance due. Similarly, if the taxpayer receives a notice advising an increase in their balance due, they should either remit the difference or cancel the EFW request. Upon canceling the EFW request, corporations required to pay electronically must then remit the total balance due using Electronic Funds Transfer (EFT) for Corporations. If a corporation is not required to pay by EFT, or is not registered for EFT, they may pay by check. Partnerships and LLCs canceling their EFT must pay by check.

Note: To cancel the EFW request, taxpayers must call e-Programs Customer Service at 916.845.0353, at least two working days before the requested withdrawal date.

Electronic Funds Transfer

If a corporation is enrolled in FTB's EFT Program, they may elect to pay their current year balance due through that system. For more information on FTB's Electronic Funds Transfer Program, go to ftb.ca.gov and search for **EFT**.

Paper Check (FTB Form 3586)

If a business pays by paper check, you must furnish them with the following applicable completed e-file payment voucher:

- FTB 3586, *Voucher for Corp e-filed Returns*
- FTB 3587, *Voucher for LP, LLP, and REMIC e-filed Returns*
- FTB 3588, *Voucher for LLC e-filed Returns*

Provide the appropriate form to the business after the return has been verified but before it is transmitted. The Corporation Number, FEIN, SOS Number, name, and address information on the voucher must be the same information that was electronically transmitted and match the information printed on the paper copy of the business's tax return. Erroneous information may cause us to misapply the payment.

Instruct businesses that want to pay a different amount from the amount printed on the e-file payment voucher, to line through the pre-printed amount and write in the amount they are paying.